

SUBCOMMITTEE NO. 3

Health, Human Services, Labor & Veteran's Affairs

Agenda

Chair, Senator Denise Ducheny

Senator Wesley Chesbro
Senator Dave Cox



March 27, 2006

2:30 p.m.

Room 3191

(Diane Van Maren)

<u>Item</u>	<u>Department</u>
4120	Emergency Medical Services Authority—<i>Selected Issues</i>
4260	Department of Health Services—<i>Selected Issues</i>

PLEASE NOTE: Only those items contained in this agenda will be discussed at this hearing. *Please* see the Senate File for dates and times of subsequent hearings.

Issues will be discussed in the order as noted in the Agenda unless otherwise directed by the Chair. Thank you.

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I. 4120 Emergency Medical Services Authority

A. Overall Background

Background. The overall responsibilities and goals of the Emergency Medical Services Authority (EMS Authority) are to: (1) assess statewide needs, effectiveness, and coordination of emergency medical service systems; (2) review and approve local emergency medical service plans; (3) coordinate medical and hospital disaster preparedness and response; (4) establish standards for the education, training and licensing of specified emergency medical care personnel; (5) establish standards for designating and monitoring poison control centers; (6) license paramedics and conduct disciplinary investigations as necessary; (7) develop standards for pediatric first aid and CPR training programs for child care providers; and (8) develop standards for emergency medical dispatcher training for the “911” emergency telephone system.

Summary of Funding. The budget proposes total expenditures of \$26 million (\$12.2 million General Fund) for the EMS Authority. **This reflects a *net* decrease of \$10.5 million (\$10.1 million General Fund) primarily due to (1) the elimination of one-time only funds of \$10 million (General Fund) provided to certain Trauma Care Centers, and (2) an augmentation of \$2.3 million (\$1.6 million General Fund) to provide personal protective equipment for private ambulance providers.**

EMSA Summary of Expenditures

Summary of Expenditures				
(dollars in thousands)	2005-06	2006-07	\$ Change	% Change
Program Source				
Emergency Medical Services	\$36,525	\$26,041	-\$10,484	-28.7
Funding Sources				
General Fund	\$22,393	\$12,245	-\$10,148	-45.3
Federal Funds	\$3,038	\$2,688	-\$350	-11.5
Reimbursements	\$9,506	\$9,300	-\$206	-2.2
Other Funds	\$1,588	\$1,808	\$220	13.8
Total Expenditures	\$36,525	\$26,041	-\$10,484	-28.7

During an emergency, the role of the EMS Authority is to respond to any medical disaster by mobilizing and coordinating emergency medical services’ mutual aid resources to mitigate health problems.

B. ITEMS FOR DISCUSSION –Emergency Medical Services Authority

1. California Medical Assistance Teams (CalMAT) –New State-Operated Teams

Issue. The EMS Authority requests an increase of **\$1.750 million** (Reimbursements from the DHS and Office of Homeland Security which are federal grants) **to implement and administer three new medical disaster response teams for California which would be known as CalMAT (all professionally-trained volunteers).** Presently, California relies solely on federal Disaster Medical Teams (DMAT's) for assistance. The CalMAT's would be designed after the existing federal DMA Teams which have proven to be a model program. It is noted that some states—such as Illinois and North Carolina—have also established their own state teams.

Of the requested amount, (1) \$1.320 million would be used for special caches, as discussed below, and **(2) \$430,000** would be used to fund two new positions and related operations expenses. Of the total amount, about \$1 million would be *one-time only* and \$750,000 would be on-going expenditures (i.e., the staff and some cache supply replenishment). **The EMSA states that though federal grant funds are generally declining, out-year expenditures for the CalMATs should be manageable without any General Fund support for several years.**

Under the proposal, two new state positions —a Health Program Manager I and a Health Program Specialist I-- would be used to manage the program, procure and maintain the supplies and equipment, and recruit and train the CalMAT personnel (all volunteers).

A total of \$1.320 million (Reimbursements) would be used to purchase special caches for the CalMAT that contain medical supplies, medical equipment, tents and pharmaceuticals. These caches would be used by the CalMAT's to provide for a variety of disaster situations. The cost of these caches is about \$450,000 each, including storage costs. These caches would be accessed by the CalMAT when an emergency occurs that requires their assistance.

Each CalMAT would consist of 120 volunteers drawn from the private, not-for-profit, and existing state government health care delivery sector. It would consist of various members of the medical profession such as physicians, nurses, pharmacists, medical specialist and support staff.

The three teams would be located geographically throughout the state (i.e., Northern, Central and Southern California). They would be used to respond to catastrophic disasters, augment medical care, and re-establish medical care in areas of the state where hospitals or medical care systems have been damaged or overwhelmed.

Background on the Federal Disaster Medical Assistance Team (DMAT) Program. During a disaster the federal DMAT's are to (1) provide essential medical care at the disaster site, (2) provide triage assistance and medical care at staging and reception sites, and (3) prepare patients for evacuation. **There are presently 50 federal DMAT's with 6 teams located in California.** These teams are comprised of 120 personnel each with the ability to treat up to 1,000 patients per day. However, these federal DMAT's are deployed at the discretion of the federal government and may be committed to an event elsewhere in the country, particularly during hurricane season. **As such, the EMS Authority believes it is critical for California to have CalMAT's available for the state.**

Subcommittee Staff Recommendation. It is **recommended to approve the request.** The federal funds (reimbursements to the EMS Authority) can be used for this purpose and additional medical capacity to respond to disasters, whether it is to assist with fires, floods, earthquakes or infectious disease outbreaks, is warranted. No issues have been raised.

Question. The Subcommittee has requested the EMS Authority to respond to the following question.

1. **EMS Authority**, please provide a brief summary of the request and why it is needed.

2. Changes Proposed for Emergency Medical Services Personnel Preparedness Issue. The EMS Authority is seeking to modify three separate programs within this proposal. Each of these proposed changes are discussed below.

A. New State Licensure of Emergency Medical Technician (EMT) I's and II's. *First*, the EMS Authority is requesting to establish a **new state licensure process** for EMT I's and II's. **This would require state statutory changes, the development of a new state fee structure, and the hiring of personnel to operate the program.**

The EMS Authority is seeking an increase of \$1.5 million (as a General Fund loan) to begin to establish this new program. Under this proposal, the EMS Authority would hire 27 positions (14 investigations, 8 licensing, 3 legal and 2 administrative support positions) to be phased-in over a three year period to proceed with the program.

California is the only state that does not certify EMT-I's and EMT-II's at the state level. Presently, there are 62 certifying and licensing authorities for Emergency Medical Service personnel. This includes 31 local Emergency Medical Services Agencies and 30 public safety agencies (such as the Office of the State Fire Marshal, the Department of Forestry and Fire Protection and the CA Highway Patrol). As such, there are significant inconsistencies in the certifying and licensing process, as well as in the disciplinary processes used for personnel. Often times each jurisdiction has its own unique system. **Due to these inconsistencies, such as not performing criminal background checks in some areas, public safety can be jeopardized.**

Therefore, the Administration is proposing to consolidate licensing and certification for EMT-I's and II's at the state level. This would require statutory change. Among other things, the Administration's statutory changes would include the following:

- Require the state (EMS Authority) to certify EMT-I and EMT-II's in lieu of using a local process as presently done (62 certifying and licensing authorities presently);
- Change how criminal background checks are conducted, *and* establish a core list of crimes that will result in lifetime bans from EMT-I and EMT-II employment, as well as crimes that will result in 5 or 10 year bans;
- Require a proof of citizenship or legal residency; and
- Institute provisional licensure periods (like probationary periods);
- Change how EMT-I's and II's are monitored.

Initially, the Administration proposed spot legislation through the trailer bill process.

However the issue has subsequently been directed to the policy committee process since it is establishing a new program at the state level and many issues need to be discussed through different policy venues (such as issues regarding public safety, as well as health). The Administration notes that SB 1811 (Romero) will be the vehicle for these proposed EMT-I and EMT-II licensing and certification changes.

B. Child Care Training Program. **Second**, the EMS Authority is proposing to make statutory changes to this program. **No fiscal or personnel changes are proposed.**

Among other things, these proposed changes include the following:

- Implement a six-month provisional period for new approvals;
- Impose a two-years waiting period after denial or revocation of a child care training program approval before the applicant could reapply;

Originally the Administration proposed trailer bill legislation to proceed with their proposed changes. However, the issue has subsequently been directed to the policy committee process. Several of the changes proposed in this area correspond with changes proposed in other programs and departments. **As such, AB 2703 (Aghazarian) is to be the vehicle for the Child Care Training Program changes. There were no fiscal or personnel changes proposed by the EMS Authority for this program, only the initial trailer bill language.**

C. Paramedic Licensing and Enforcement Program. **Third**, the EMS Authority is requesting **an increase of \$177,000 (Emergency Medical Services Personnel Fund) to hire three staff (i.e., two Investigative Assistants and a Program Technician III) to address concerns with the monitoring of Paramedics.** These positions would be supported with revenues collected from fees which are placed into a special fund. No fee increases are proposed.

Specifically, these positions would be used to do the following:

- Investigate cases as necessary;
- Monitor paramedics who have been placed on probation to ensure compliance with the terms and conditions of the probation;
- Provide assistance to the paramedic on probation in locating educational courses and related assistance regarding a paramedic's practical skills; and
- Review reports and track progress on paramedic's probation progress and status;

The EMS Authority is authorized to place paramedic licenses on probation and is generally responsible for the monitoring of their probation. The EMS Authority contends that these positions are necessary due to the increased number of licensed paramedics (7,000 in 1994 to 15,000 in 2005) and the increased investigations which are being conducted that lead to probation. **Presently part-time contract student assistants are being used to provide assistance in less serious criminal paramedic misconduct cases. However as the cases have become more complex, as well as the need to avoid potential privacy issues, the EMS Authority believes it is necessary to employ full-time professional staff.**

With respect to issues regarding criminal background checks for the above programs, the Administration had also initially proposed trailer bill language to address these issues. **However it has now been agreed that SB 1759 (Ashburn) will be used in lieu of trailer bill legislation.**

Subcommittee Staff Recommendation. It is recommended to: **(1)** Reject without prejudice the \$1.5 million General Fund loan for the new state licensure of emergency medical technician (EMT) I's and II's since resource needs (both staff and fee support requirements) will be incorporated into the policy legislation; **(2)** Reject without prejudice all of the trailer bill language initially proposed for these programs since separate policy legislation is proceeding; and **(3)** Approve the \$177,000 (Emergency Medical Services Personnel Fund) for the three positions for the Paramedic Licensing and Enforcement Program for the purposes specified.

Question. The Subcommittee has requested the EMS Authority to respond to the following question.

1. EMS Authority, Please provide a **brief summary** of the request.

II. 4260 Department of Health Services: Selected Public Health Issues

A. VOTE ONLY CALENDAR (Items 1 through 3) (Pages 8 through 11)

1. Child Health Disability Prevention (CHDP) Program

Issue. The budget proposes an increase of \$946,000 (General Fund) over the current-year for total expenditures of \$3.7 million (\$3.6 million General Fund) for the CHDP Program. **This adjustment reflects the standard methodology used for the program.** Specifically, the estimate uses a base projection that uses data from the latest five years to forecast average monthly screens and cost per screen. **No policy changes are proposed.**

The increase is primarily due to two factors. First, the 2005-06 fiscal year reflected a savings due to a one-time only adjustment which shifted the program's accounting system from an accrual basis to a cash basis. As such, the savings of \$830,000 which were achieved from this shift are not available for the budget year (i.e., it was one-time only savings).

Second, the cost for the health screenings conducted under the program has increased from \$59.60 per screen to \$61.87 per screen, or by 3.7 percent, for 2006-07. The number of screens to be conducted is assumed to remain fairly constant.

Overall Background. The Child Health Disability Prevention (CHDP) Program provides pediatric prevention health care services to **(1)** infants, children and adolescents up to age 19 who have family incomes at or below 200 percent of poverty, and **(2)** children and adolescents who are eligible for Medi-Cal services up to age 21 (Early Periodic Screening Diagnosis and Treatment—EPSDT).

Children in families with incomes at or below 200 percent of poverty can pre-enroll in fee-for-service Medi-Cal under the presumptive eligibility for children provisions of the Medi-Cal and Healthy Families programs. This pre-enrollment takes place electronically at CHDP provider offices at the time the children receive health assessments. This process, known as the CHDP Gateway, shifts most CHDP costs to the Medi-Cal Program and to Healthy Families. As such, CHDP Program funding needs to continue only to cover services for children who are eligible for limited-scope Medi-Cal benefits (such as immunizations).

CHDP services play a key role in children's readiness for school. All children entering first grade must have a CHDP health examination certificate or an equivalent examination to enroll in school. Local health jurisdictions work directly with CHDP providers (private and public) to conduct planning, education and outreach activities, as well as to monitor client referrals and ensure treatment follow-up.

Subcommittee Staff Recommendation. No issues have been raised regarding this proposal. It is recommended to approve as proposed.

2. CA Electronic Death Registration System –Statewide Training

Issue. The DHS is requesting an increase of \$543,000 (Health Statistics Fund) on a one-time only basis to hire consultants to provide training on the implementation and rollout of the CA Electronic Death Registration System (CA-EDRS). Contract staff has been used under the program for similar purposes.

Specifically, the funds will be used as follows:

- To host 15 to 24 multiple day training workshops for funeral home directors and physicians;
- Work with counties and Local Registrars on CA-EDRS implementation into their existing systems;
- Prepare and deliver training and promotion presentations to stakeholder groups;
- Assist users via phone consultation and onsite as needed; and
- Develop and distribute tutorials to be distributed on-line.

Additional Background on CA-EDRS. AB 2550, Statutes of 2002 requires the development and operation of an automated death registration process throughout the state. The legislation was part of a package of bills to improve vital records administration and to combat identify theft and fraud. In addition, the legislation provided a funding source through certain fee payments (disposition of human remains). A Feasibility Study Report and initial financing were subsequently provided. **No new positions were provided for the program, and contract staff has been used to complete most of the work.**

According to the DHS, the CA-EDRS has been constructed to meet nationwide standards with functionality to support more efficient interaction with the Social Security Administration and the National Center for Health Statistics.

The DHS estimates that 50 percent of the state's death certificates will be registered using this new system by June 30, 2006. The remaining 50 percent will require additional sustained effort over the next two years.

When the majority of the stakeholders are using CA-EDRS, the system will provide timely death data, timely cross matching with birth certificates for anti-fraud purposes, allow online verification of decedent's social security number and allow online access to fact-of-death information.

Subcommittee Staff Recommendation. The request is consistent with implementation of the CA-EDRS. No issues have been raised.

3. Processed Food Registration Program

Issue. The DHS is requesting an increase of \$1.327 million (Food Safety Fund) and a decrease of \$1.4 million to implement AB 1081 (Mathews), Statutes of 2005 for a *net* reduction of \$73,000 (General Fund). It should be noted that the enacted legislation enables special fund moneys to be used for this purpose, in lieu of General Fund support.

Among other things, the legislation contained the following key provisions:

- Extended the sunset date of the Food Safety Industry Education and Training Program for another five-years;
- Shifted the deposit of license fees for bottled and vended water from the General Fund to the Food Safety special fund;
- Increased by 15 percent the registration fees for processed food entities, and initiated a new additional fee of \$250 annually for any seafood or juice firm that meets certain requirements and needs re-inspections by the DHS; and
- Provides for the DHS to collect costs of any re-inspection within a 12-month period to verify that critical violations have been corrected.

The DHS states that due to limited resources, they have not been able to maintain the minimum staffing needed to conduct inspections of food processors. Further, they needed to realign positions within the Food and Drug Branch to address certain aspects of the enacted legislation.

As such, the DHS is proposing the following adjustments in this budget request:

- **Food Processing Inspections (Total of 6 positions—one is new).** The DHS is *redirecting* 5 existing Food and Drug Investigator positions to conduct more inspections of food processing facilities to reduce the existing backlog in these inspections. In addition, a *new* Senior Food and Drug Investigator position is requested to conduct re-inspections of food processors with critical violations.
- **Bottled and Vended Water Program (Fund Shift).** As provided for in the legislation, a total of 6 positions will be shifted from General Fund support to the Food Safety special fund. No new positions are proposed.
- **Minor Equipment.** Of the total amount requested, \$20,000 is proposed to be used for peace officer equipment such as protective vests, firearms and related safety equipment. This equipment is standard issue for investigator positions (i.e., classified as Peace Officers).
- **Food Safety Industry Education and Training Program.** There are three Food and Drug Investigators currently doing this work which includes education on food sanitation, good manufacturing practices, employee training and related items. This program will now continue for another five years. There is no fiscal impact to this change.

General Background on the Food and Drug Branch at the DHS. This branch at the DHS has regulatory authority for processed food manufacturers and warehouseers in California. They are responsible for inspecting and ensuring that safe foods are manufactured, packaged, or warehoused in over 5,200 food processing facilities in the state. **Specifically, this branch has primary responsibility for food, bottled water and vended water safety and is the source of health information, training, education, food safety inspections, technical assistance, scientific and processing evaluations, and communications for industry and consumers.**

Though the U.S. Food and Drug Administration conduct food inspections, about 40 percent of the food manufacturing facilities in California fall outside the jurisdiction of the federal FDA.

Subcommittee Staff Recommendation. The proposal is consistent with the enacted legislation. No issues have been raised. It is recommended to approve the proposal.

B. ITEMS FOR DISCUSSION—Department of Health Services

1. Proposition 50—Drinking Water Management Program

Issue. The DHS requests to extend 15.5 positions, which presently expire as of June 30, 2006, for two-years until June 30, 2008 at a cost of \$1.6 million (Water Security, Clean Drinking Water, Coastal and Beach Protection Fund).

The existing 15.5 positions (all presently filled) are responsible for administering the Proposition 50 grants including engineering review, financial and accounting functions, and activities associated with the CA Environmental Quality Act.

The DHS anticipates receiving as much as \$528 million over the course of the bond measure. The DHS notes that various work activities will likely continue for seven to ten years since the appropriations for the first two years of the Proposition 50 funds have not been fully utilized primarily due to insufficient staffing during this period (Governor imposed a hiring freeze in 2003).

Specifically, the DHS positions would continue to do the following key functions:

- Review “pre-applications” and supporting documents received from applicants and rank the projects;
- Conduct full engineering review of applications and provide consultation as needed;
- Review environmental documentation and CEQA process;
- Develop contract conditions, notice and certify project;
- Monitor progress and compliance with deadlines;
- Review and approve design plans and specifications;
- Review loan contract;
- Review and approve invoices for payment;
- Conduct final project inspection and certify completion; and
- Conduct program fiscal management and administration.

Summary of “Round 1” (2005) Proposition 50 Funds (“Funding Commitments”). The DHS has provided the following summary table which displays funding commitments (i.e., full applications approved).

Title/Focus Proposition 50	Disadvantaged Communities (Projects & Dollars)	Non-Disadvantaged Communities (Projects & Dollars)	Total Proposition 50
Water Security (Chapter 3)	3 and \$587,000	7 and \$30.7 million	\$31.3 million
Small Community Systems	8 and \$5.9 million	3 and \$438,000	\$6.4 million
Monitoring	4 and \$180,000	1 and \$1 million	\$1.2 million
Source Water Protection	1 and \$1.6 million	1 and \$115,000	\$1.7 million
Disinfection Byproducts	2 and \$591,000	3 and \$800,000	\$1.4 million
Southern California	2 and \$3 million	8 and \$41.8 million	\$44.8 million
Total (rounded)	20 and \$11.8 million	23 and \$74.9 million	\$86.7 million

The DHS states that the “Round 2” Proposition 50 “full applications” are due to the DHS in April and May 2006 (different dates for various grants). The DHS has already received 127 “pre-applications” for Round 2 and it is anticipated that from \$75 million to \$90 million will be awarded through this process. As such, the continuation of the 15.5 existing staff will be needed to process these applications, as well as to continue work on the “Round 1”-related activities.

Overall Background on DHS Drinking Water Program and Use of Proposition 50. The DHS has been responsible for regulating and permitting public water systems since 1915. **The Drinking Water Program provides for ongoing surveillance and inspection of public water systems, issues operational permits to the systems, ensures water quality monitoring is conducted and takes enforcement actions when violations occur.** The program oversees the activities of about 8,500 public water systems (including both small and large water systems) that serve more than 34 million Californians.

The DHS is designated by the federal Environmental Protection Agency as the primacy agency responsible for the administration of the federal Safe Drinking Water Act for California. Under the federal Safe Drinking Water Act, California receives funding to finance low-interest loans and grants for public water system infrastructure improvements. In order to draw down these federal capitalization grants, the state must provide a 20 percent match. Proposition 13 bond funds had been used as the state match for this purpose in previous years. **However, the state match for future capitalization grants is now provided by Proposition 50, as contained in the Proposition.**

Proposition 50 bond funds are also used for additional purposes as discussed below.

Background on Proposition 50 and Chapters Applicable to the DHS Drinking Water Program. Proposition 50 was approved by the voters in 2002 to provide \$3.4 billion in funds to a consortium of state agencies and departments to address a wide continuum of water quality issues.

Several chapters within the Proposition 50 bond measure pertain to functions conducted by the DHS as it pertains to the overall Drinking Water Program, including Chapter 3 and Chapter 4 of the Proposition. The DHS anticipates receiving as much as \$528 million over the course of the bond measure.

- **Chapter 3—Water Security (\$50 million).** Proposition 50 provides a total of \$50 million for functions pertaining to water security, including the following: (1) monitoring and early warning systems, (2) fencing, (3) protective structures, (4) contamination treatment facilities, (5) emergency interconnections, (6) communications systems, (7) other projects designed to prevent damage to water treatment, distribution and supply facilities. **It is anticipated that this total amount will be utilized over a four-year period.**
- **Chapter 4—Safe Drinking Water (\$435 million total for DHS).** Proposition 50 provides \$435 million to the DHS for expenditure for grants and loans for infrastructure improvements and related actions to meet safe drinking water standards. A portion of

these funds will be used as the state's match to access federal capitalization grants (as discussed above).

With respect to the other projects, the Proposition states that the funds can be used for the following types of projects: (1) grants to small community drinking water systems to upgrade monitoring, treatment or distribution infrastructure; (2) grants to finance development and demonstration of new technologies and related facilities for water contaminant removal and treatment; (3) grants for community water quality; (4) grants for drinking water source protection; (5) grants for drinking water source protection; (6) grants for treatment facilities necessary to meet disinfectant by-product safe drinking water standards; and (7) loans pursuant to the Safe Drinking Water State Revolving Fund (i.e., where by the state draws down 80 percent federal match). In addition, it is required that not less than 60 percent of the Chapter 4 funds be available for grants to Southern California water agencies to assist in meeting the state's commitment to reduce Colorado River water use.

Subcommittee Staff Recommendation. It is **recommended to approve** the request to extend the 15.5 positions. No issues have been raised and the workload is justified.

Questions. The Subcommittee has requested the DHS to respond to the following question.

1. **DHS,** Please provide a brief update on Proposition 50 implementation and why the positions need to be extended.

2. Drinking Water—Technical Assistance to “Small Water Systems”

Issue: The DHS requests to extend 10.5 positions, which presently expire as of June 30, 2006, for two-years until June 30, 2008 at a cost of \$1.1 million (Small System Technical Assistance Account). The DHS states that the existing 10.5 positions are presently filled and their extension is needed to address workload needs.

The DHS states that the objectives of the 10.5 staff are to provide assistance to Small Water Systems (systems that serve less than 3,300 persons daily) to:

- Reduce the instances of non-compliance among water systems with drinking water standards and requirements;
- Establish and assure safe and dependable water supplies for the public;
- Improve the operational capability of the water systems;
- Improve the financial, technical and managerial capability of water systems; and
- Assist Small Water Systems in the preparation of applications for Safe Drinking Water loans and grants.

Key activities performed to meet these objectives include:

- Providing assistance to Small Water Systems to enable them to complete applications to obtain loan funding, including submittal of required capacity documentation and development of source capacity assessments, technical evaluations, and operations plans;
- Directing technical assistance to Small Water Systems with significant violations or other deficiencies that could lead to failures; and
- Providing assistance in achieving technical, managerial and financial capacity, including submittal of required capacity documentation and development of source capacity assessments, technical evaluations, operations plans, emergency plans and budget projections;

Overall Background on DHS Drinking Water Program—Separate Special Fund Accounts.

The DHS has been responsible for regulating and permitting public water systems since 1915. **The Drinking Water Program provides for ongoing surveillance and inspection of public water systems, issues operational permits to the systems, ensures water quality monitoring is conducted and takes enforcement actions when violations occur.**

The DHS is designated by the federal Environmental Protection Agency as the primacy agency responsible for the administration of the federal Safe Drinking Water Act. Under the federal Safe Drinking Water Act, California receives funding to finance low-interest loans and grants for public water system infrastructure improvements. Since 1999 California has received eight federal grants each of which averaged \$85 million (federal funds) annually. Proposition 50 bond funds are used as a state match (requires a 20 percent state match).

Federal law enables states to set-aside up to two percent of the total annual federal capitalization grants to provide technical assistance to Small Water Systems (serve less than 3,300 persons daily).

Existing state law establishes *four separate funds* for Administration, Small Water System Technical Assistance, Public Water System Supervision, and Water System Reliability.

The Small Water System Technical Assistance Account solely consists of the two percent federal set aside amount from the federal capitalization grants. Therefore, the use of this special account to fund the requested DHS positions is appropriate.

Subcommittee Staff Recommendation. It is **recommended to approve** the request to extend the 10.5 positions. No issues have been raised and the workload is justified.

Questions. The Subcommittee has requested the DHS to respond to the following question.

1. **DHS,** Please provide a brief summary of the proposal.

3. Safe Drinking Water Account—Request for Staffing for Large Water Systems **(See Hand Out)**

Issue: The DHS is requesting an increase of \$1.1 million (Safe Drinking Water Account Funds) to hire 11 new Sanitary Engineers on a permanent basis to assist in ensuring that certain oversight activities are conducted for large drinking water systems.

The Safe Drinking Water Account is completely fee supported through collections from large drinking water systems.

In addition, the Administration is seeking trailer bill legislation to (1) reduce the regulatory oversight of large water systems by the DHS by changing the existing inspection timeframes, and (2) provide the DHS with broad authority to deny, revoke, suspend, or restrict, a water operator's license.

With respect to the proposed trailer bill language, the DHS contends there are insufficient resources to provide the level of oversight on large drinking water systems as presently required in existing state statute (as established in 1991 by AB 2995). **The Administration states that a fee increase on large drinking water systems to support existing statute is not desirable; in addition, no General Fund support has been proposed by the Administration for this purpose.** Therefore, the Administration is proposing trailer bill legislation to reduce the regulatory oversight of large drinking water systems.

According to the DHS, 20 new positions are actually needed to address the workload issues associated with meeting existing statutory requirements. However the existing fee structure will only sustain 11 new positions. The addition of these 11 new positions (Sanitary Engineers) would provide a total of 52 engineering positions (currently 41) to provide oversight and inspections of large drinking water systems (who serve about 90 percent of the population).

Under this proposed structure, inspections of large drinking water systems would be based on the following factors: (1) the sources of drinking water used by the water system, (2) potential sources of contamination, (3) water treatment technologies employed by the water systems and, (4) the population served. **Water systems that are not subject to these factors will not be inspected by the DHS as frequently.**

Based on these factors, the DHS states that large drinking water systems would be inspected according to the following proposed schedule:

- Systems with **surface water sources** would be inspected **annually**;
- Systems with **groundwater sources with treatment** would be inspected every **two years**; and
- Systems with **groundwater sources with no treatment** would be inspected every **three years**.

Based on information provided by the DHS, if 9 more Sanitary Engineers were provided (i.e., provide the 20 additional positions, not just the 11 requested positions), an increased cost of

about \$900,000 would be incurred in addition to the DHS budget request. At this time, there are not sufficient funds within the Safe Drinking Water Account to this additional level of need.

Background on Safe Drinking Water Program. California's Safe Drinking Water Program was established in 1991 and **uses a fee-for-service approach** for larger drinking water systems with 1,000 or more service connections. Except for certain activities such as enforcement, the fee amount is capped for these systems. The cap is allowed to increase annually by five percent. According to the DHS, the last time the fee schedule was reviewed was in 1996 when the original sunset provisions within the enabling legislation were removed.

The DHS provides for ongoing surveillance and inspection of these systems, issues operational permits to the water systems, ensures water quality monitoring is conducted, and takes enforcement actions when violations occur.

Subcommittee Staff Recommendation. It is recommended to (1) approve the request for 11 new Sanitary Engineers, and (2) reject both pieces of the proposed trailer bill language. **First**, the 11 new positions to conduct increased inspections is warranted. Existing law establishes a threshold for inspections of these systems and the DHS has justified the workload in its supporting documents. These positions are sustainable within the existing fee structure.

Second, approval of the 11 new positions would provide the DHS with a total of 52 engineering positions (41 existing positions plus the new 11 positions). According to the DHS' own figures, that would leave them just 9 positions short of conducting annual inspections as required by law. This is not a substantial difference in staffing and as such, the DHS should consider how it can take action to improve and increase its ability to conduct annual inspections and to more fully utilize the staff that it employs, rather than lowering an existing standard to ensure safe drinking water.

Third, the proposed trailer bill language represents a considerable change from existing policy and therefore, should be reviewed within the policy committee context. These proposed changes have never been discussed in the policy venue and the proposed changes do not directly affect implementation of the Budget Bill. The DHS should see how the new positions, as well as any program efficiency improvements, progress in meeting existing statute prior to changing the existing standard. If the standard is to be changed, it should be discussed in a public forum whereby technical water quality expertise can be obtained to better discern what factors should serve as the measurements for the less than annual inspections.

Fourth, the proposed trailer bill language regarding the DHS taking action against certified water treatment and distribution system operators is very broad and does not provide for a comprehensive form of due process. As such, this too should be discussed in a policy committee venue as well.

Questions. The Subcommittee has requested the DHS to respond to the following questions.

1. **DHS**, Please briefly describe the proposal, including the proposed trailer bill language.
2. **DHS**, Will large drinking water systems be inspected less frequently?

4. Radiation Control Program (See Hand Out)

Issue. The DHS requests **to hire 8 new, permanent positions (Associate Health Physicist) within existing appropriation authority.** In addition, the DHS is proposing trailer bill language to (1) recover the additional costs of follow-up inspections when entities or individuals fail to correct violations of radiation safety laws and regulations, and (2) correct for a spelling error in existing statute.

The DHS states that the additional staff will assist in meeting necessary federal and state mandates and will decrease the public's risk of excessive and improper exposure to radiation. **The positions would be used as follows:**

- **Three Health Physicists would primarily be used to perform X-ray machine inspections.** It is assumed that each position can conduct 300 inspections annually. The DHS states there are about 73,000 X-ray machines in the state and that over 3,000 X-ray machines have not been inspected annually as required by law. The program presently has 15 inspectors.
- **Five Health Physicists would primarily be used to review and evaluate applications for license approval to use radioactive material for industrial, academic, medical, veterinary or research purposes.** The DHS states that these positions are needed in order to meet certain Nuclear Regulatory Commission (NRC) concerns as discussed below.

These positions would also: (1) perform inspections of users of radioactive material including incident response, investigation and legal actions; (2) review issued licenses and inspection reports to ensure consistent and uniform application of laws, regulations and quality of work; and (3) research and develop radiation safety regulations for compatibility with federal requirements and compliance with state law.

This program is funded through the Radiation Control Fund, a special fund into which the regulated community pays fees. Through the DHS' administrative authority, fees were increased effective September 1, 2005. The fees had not been increased since 1997 and the DHS contended that the program was no longer able to sustain itself and meet program requirements.

Nuclear Regulatory Commission (NRC) Concerns. The NRC conducts performance evaluations as part of its statutory mission to ensure adequate and consistent nationwide health and safety protection from the hazards of radioactive material.

In 2004, the NRC evaluated the DHS' program and found that it needed improvement. As a result, California has been placed on "heightened oversight and monitoring" status. According to the DHS, the NRC specifically identified lack of staff resources as an unsatisfactory finding that must be addressed.

The NRC issued California a “Program Improvement Plan” (PIP) to track the actions the DHS must address to meet the recommendations of the 2004 program review. Some of the NRC’s recommendations include the following:

- Implement procedures to ensure inspection findings are issued to licensees within 30 days of the completion of routine inspections;
- Improve the system to track incident and allegation investigations to ensure timeliness, proper documentation, appropriate follow-up, and closure;
- Establish and implement (1) processes to identify defects and incidents involving California approved devices containing radioactive material, and (2) procedures for investigating reports of defects and incidents for root cause and generic implications for possible subsequent re-evaluation; and
- Ensure adequate funding and staffing resources are devoted to the Radiation Control Program and that the state’s fee system be updated reflect actual program costs.

Overall Background on the Radiation Control Program. The purpose of this program is to protect public health and safety by decreasing excessive and unnecessary exposure to radiation, and reducing the release of radioactive material into the environment. This is accomplished through (1) licensing users of radioactive material, including medical, academic and industrial facilities, (2) registration of radiation producing (X-Ray) machines, (3) certification of individuals using radiation sources, (4) inspection of facilities using radiation sources, and (5) conducting enforcement actions.

California, along with 32 other states, has an agreement with the NRC by which the federal government does not have regulatory authority over certain types of radioactive material. Instead, the state has the authority for oversight but the NRC conducts performance evaluations as part of its function. This state-federal relationship is known as “Agreement State Program”. Therefore, the Radiation Control Program licenses and inspects users of radioactive materials that are subject to both federal and state law.

Subcommittee Staff Recommendation. It is recommended to approve the positions and that portion of the trailer bill language regarding the collection of fees for re-inspections. Due to the concerns captured in the NRC report, as well as the need to conduct the inspections, the workload standard appears reasonable. The portion of the trailer bill language to correct the existing spelling error is recommended to be denied since it is not necessary to enact the Budget Bill.

Questions. The Subcommittee has requested the DHS to respond to the following questions.

1. **DHS,** Please provide a brief summary of the need for the 8 new positions.
2. **DHS,** Please provide an update on the status of implementing the NRC’s recommendations.

5. Medical Waste Management Program—Staff and Fee Increase (See Hand Out)

Issue. The DHS is requesting an increase of \$642,000 (Medical Waste Management Fund) to hire 6 new Environmental Scientists for the Medical Waste Management Program. The approval of these positions *is contingent* upon adoption of trailer bill language to increase the fees paid into the special fund designated for this purpose. **The fees for the program have never been increased since the inception of the program which was enacted in 1991.**

Specifically, the DHS is proposing trailer bill language to (1) increase the fees paid by “off-site” medical waste treatment facilities, and (2) recover the costs of follow-up inspections of large quantity medical waste generators.

The DHS contends that the Medical Waste Management Program is critically understaffed and has *not completed* 600, or 86 percent, of its current-year inspections of medical waste generator facilities. **The program currently operates using 7 positions.** There are 837 large quantity medical waste facilities in California that the DHS is required to inspect annually. The DHS notes that the lack of inspections increases the probability of improper storage and disposal of medical waste.

The DHS says the 6 new positions (Environmental Scientists) are needed to: (1) conduct statutorily required inspections of medical waste generators in 25 counties and 2 cities where the state serves as the local enforcement agency; (2) respond to complaints of illegal disposal of medical waste; and (3) audit local medical waste programs where the state has the responsibility of assuring uniform enforcement of the Medical Waste Management Act. Specific functions would include the following:

- Prepare for the inspection, conduct the inspection and document findings;
- Conduct complaint investigations by doing field visits and interviewing persons who filed the complaint. Evaluate any illegal waste from the complain and follow up with enforcement actions.
- Proceed with escalated enforcement actions when applicable, including gathering documentation for evidence and meeting with applicable law enforcement agencies.
- Prepare for court proceedings or settlement negotiations as applicable.

Administration’s Proposed Trailer Bill Language to Increase Fees (See Hand Out).

Existing state statute sets fees for medical waste “generators” (primarily hospitals) and for the treatment of medical waste. **The proposed trailer bill language would increase the fee to be paid to “off-site” medical waste treatment facilities and will be passed on to their customers (such as hospitals). Fees have not been increased since the inception of the program in 1991.**

The DHS is *not* proposing to increase the fee paid by “generators” because that in essence would be a double fee increase (i.e., pay as a generator and have increased payments from off-site treatment facilities due to the treatment facilities fee increase).

The current fee paid by “off-site” treatment facilities is two-tenths of a cent (\$0.002) per pound of waste treated or \$10,000, whichever is greater. This fee was effective as of April 1, 1991 and has never been increased. **The proposed fees would be increased to one hundred twenty-seven of a cent (\$0127) per pound of waste treated or \$12,000, whichever is greater. This new fee would be effective as of July 1, 2006.**

The table below displays the effect of the Administration’s proposed adjustment.

Table—Display of Administration’s Proposed Fee Increase for “Off-Site” Treatment Facilities

Name	Pounds Treated in 2004	Current Fee	Estimated Amount with Proposed Fee	Percent Increase
Arrowhead Medical	NA-new in 2004	\$10,000	\$12,000	20%
California Medical	2,984,126	\$10,000	\$37,898	279%
Medical Waste Environmental.	161,526	\$10,000	\$12,000	20%
Medical Disposal Services	915,740	\$10,000	\$12,000	20%
North State Specialty Waste	1,368,723	\$10,000	\$17,382	74%
Sanitec USA	1,174,862	\$10,000	\$14,920	49%
Stericycle—Fresno	4,817,383	\$10,000	\$61,180	512%
Stericycle—San Diego	6,979,973	\$13,959	\$88,645	535%
Stericycle—San Leandro	18,111,995	\$36,223	\$230,022	535%
Stericycle--Vernon	38,197,194	\$76,394	\$485,104	535%
Thermal Combustion	7,979,761	\$15,959	\$101,342	535%
University of CA at Davis	1,872,250	\$10,000	\$23,777	138%

(The DHS states that Stericycle is the largest operation and has contracts with about 85 percent of California’s market.)

In total, the increased fee is anticipated to generate about \$923,000 in new revenue in 2006-07. DHS states that this new fee structure is necessary to support the requested 6 new positions and to maintain a prudent reserve.

The Subcommittee is in receipt of a letter from Stericycle, Incorporated, address to Governor Schwarzenegger which is in support of the proposed fee increase. They express the need for more oversight by the DHS and note the need for increased resources for this to occur.

Overall Background on Medical Waste Management Program. This program was enacted in 1991 to provide regulatory oversight to ensure the proper handling of medical waste. **The program provides oversight of all offsite treatment facilities, large quantity medical waste generators such as hospitals, medical waste transfer stations, medical waste haulers and small quantity medical waste generators in the 25 counties and 2 cities where the state operates these programs.** The DHS’ regulatory activities include inspections, training, consultation, enforcement and investigation of complaints.

The public benefits from having medical waste properly handled and treated by avoiding exposure to infectious wastes that may cause illness and death. Further, proper handling of medical waste ensures the waste doesn't end up in garbage dumpsters, on beaches, or along public thoroughfares.

The DHS notes that the most common complaint is untreated medical waste arriving at solid waste transfer stations or landfills. These incidents are normally the result of non-compliance at a generator's facility, such as a hospital. Other complaint calls may deal with unregistered medical waste generators and haulers, the clean up and disposal of trauma scene waste and unpermitted medical waste transfer stations or treatment facilities.

Subcommittee Staff Recommendation. It is recommended to approve the request, including the 6 new positions and the trailer bill language. The proposed adjustments appear to be warranted based on the need for inspections.

Questions. The Subcommittee has requested the DHS to respond to the following questions.

1. **DHS,** Please provide a brief summary of the request, including a discussion of the trailer bill language.

6. Drug and Medical Device Manufacturer Program—Staff and Trailer Legislation (See Hand Out)

Issue. The DHS is requesting an increase of \$815,000 (Drug and Device Safety Fund) to fund 7 new, permanent positions *and* to purchase vehicles for the program.

In addition, the DHS is proposing trailer bill language to change the licensing fee collection from annually to every two years (i.e., biennially). Therefore the fees paid by drug and medical device manufacturers would be paid upfront for a two-year period, versus a one-year period as now done.

The DHS states that the requested 7 new, permanent positions (6 Senior Food and Drug Investigators and a Management Services Technician) are needed to conduct new licensing inspections, conduct renewal licensing inspections, and to process various information and reports related to these inspections. **The DHS notes that there is a backlog of 167 new licensing inspections. Once this backlog is addressed, the positions would be used to manage renewal licensing inspections of facilities as required.**

Specifically, the following key activities would be conducted:

- Complete *new* licensing inspections of compliance, including all aspects of the business, from the facility to the product line (procedures, ingredients or components and labeling);
- Complete renewal licensing inspections;
- Check quality control at the facilities;

- Complete written reports of inspections and make recommendations to license the facility or to do other actions;
- Prepare draft regulatory notices; and
- Prepare criminal or civil cases when applicable.

There are presently seven *existing* staff conducting inspections and related activities for the Drug and Medical Device Manufacturer Programs. These existing staff—6 Senior Food and Drug Investigators and one Supervising Food and Drug Investigator—annually inspect about 240 firms requiring licensing inspections (i.e., about 40 inspections annually per investigator).

The DHS contends that their existing understaffing prevents the programs from conducting all of the statutorily mandated annual facility license renewal inspections and has resulted in the following *concerns*:

- Firms are experiencing an average delay of 275 days until licensure with corresponding delays in opening and commencing business in California;
- Increased risk of patients being exposed to injuries and illness associated with unregulated, unsafe, defective or fraudulent drugs and medical devices; and
- Unfair and potentially illegal business practices because businesses may operate without valid licensure.

Of the requested increase, \$115,000 (Drug and Device Safety Fund) is designated by the DHS to purchase 6 vehicles which would be used by the investigators. The DHS states that since inspections are conducted independently, it is essential that each investigator and the supervising investigator have a vehicle to transport their equipment (laptop computer, firearms and safety equipment, lab equipment, video equipment and related items).

Of the amount requested, about \$65,000 would be one-time costs (purchasing) and \$50,000 would be on-going (maintenance and to replace vehicles and other equipment). The DHS assumes that an investigator travels 150 miles per day for 20 days per month or 36,000 miles a year.

The DHS contends that it would be more cost-beneficial for them to purchase vehicles than to rent vehicles from the Department of General Services. The DHS analysis, as shown below, depicts an annual savings of \$90,000.

Department of Health Services Yearly Vehicle Cost Comparison

Component	General Services Vehicle	Health Services Vehicle
Monthly Rental Fee	\$260 per month x 12= \$3,120	Not applicable
Mileage Charge	\$0.22 x 36,000=\$7,920	Not applicable
Purchase Price	Not applicable	\$5,000 (\$20,000/4 years)
Gasoline	Included in monthly rate charge	\$2,950
Insurance	Included in monthly rate charge	\$1,000
Maintenance	Included in monthly rate charge	\$2,000
Total (As computed by the DHS)	\$11,040 annually	\$10,950 annually (Difference of \$90,000)

Overall Background on the Drug and Medical Device Manufacturer Programs. These programs provide consumer protection from unsafe, contaminated, mislabeled, and fraudulent drugs (blood pressure medications, injectable drugs, antibiotics). New drug and medical device manufacturers are required to be inspected and licensed by the DHS prior to distributing products. In addition, AB 1496 (Olberg), Statutes of 2000, requires biennial inspections of existing licensed drug and medical device manufacturers. **All licensing fees from drug and medical device manufacturers and all enforcement fines and penalties are deposited in the Drug and Device Safety Fund.** The existing licensing fees are shown in the table below.

Drug or Medical Device Manufacturer	License Fee (as of July 2005)
New license	\$1,600
Renewal license	1,300
Special or small (as defined)	\$850
Prescription drug marketing act	\$100

Note: The licensing fee shown above will double if the state proceeds with a biennial licensing process, versus the existing annual process. The fee of course would only be paid once every two-years under the proposed trailer bill legislation.

The Administration raised the fees for this program by about 25 percent effective as of July 1, 2005. According to the “Fund Condition Statement” provided in the Governor’s Budget for 2006-07, the DHS is projecting a Drug and Device Safety Fund surplus of \$7.9 million, including the expenditures for this request.

Role of the U.S. Food and Drug Administration. It should also be noted that the U.S. Food and Drug Administration (FDA) requires drug and medical device manufacturers to register, but the DHS contends that the federal FDA may not inspect the firm for two or more years after they have registered and initiated manufacturing. Therefore the federal FDA has partnered with the DHS to share inspection information. It is assumed that the federal FDA will conduct 318 inspections on a biennial basis. (The DHS says that they have taken this relationship into consideration in calculating their workload level.)

Subcommittee Staff Recommendation. It is recommended to approve the increase of \$642,000 (Medical Waste Management Fund) and the requested positions. With respect to the purchase of the vehicles, the LAO notes that when there is heavy vehicle use by a program, it is reasonable for the program to purchase in lieu of using the DGS rental service. As such, it is also recommended to approve their purchase.

With respect to the proposed trailer bill language to enable the DHS to collect fees on a biennial basis instead of an annual basis, it is recommended to deny the proposal. It is unclear what real efficiencies the DHS will achieve since the fee collection process is not labor intensive. Further, industry may view this change in fee collection as a fee increase since they would need to pay up front for two years commencing with when their licensing expiration date occurs.

Questions.

- 1. DHS,** Please provide a brief summary of the proposal, including the proposed trailer bill.

7. Implementation of the California Safe Cosmetics Act

Issue. The DHS is requesting an increase of \$495,000 (General Fund) to hire four positions and purchase equipment to proceed with the implementation of SB 484 (Migden), Statutes of 2005.

Generally, the CA Safe Cosmetics Act requires manufacturers of cosmetics sold in California to provide specified information to the DHS regarding their products. Among many things, the DHS is responsible for determining the potential health effects of exposure to the ingredients contained in the cosmetics sold in California, to conduct certain investigations if necessary and to maintain specified data cosmetic ingredients and provide reports on this information.

These funds would be used as described below.

- **Request for DHS Staff (Four Positions).** The DHS is requesting to hire four permanent staff—a Food and Drug Program Specialist, an Associate Governmental Program Analyst, a Research Specialist II, and an Office Technician—to begin implementation of the CA Safe Cosmetics Act (Act). **Key functions for this proposed staff include the following:**
 - Establish and maintain a system for monitoring compliance with the Act’s reporting requirements;
 - Establish and update electronic data base of cosmetic products lists submitted by manufacturers;
 - Maintain listing of chemical ingredients required to be reported;
 - Collect samples to determine accuracy of reporting by the manufacturers;
 - Identify, investigate and review violations of the Act;
 - Perform data analysis on violations and coordinate findings;
 - Conduct outreach and training to the cosmetic industry;
 - Plan and design new analytical approaches to identify toxic chemicals known to cause cancer or reproductive toxicity in cosmetics products; and
 - Develop and implement methods for disseminating summaries of collected data to the public.
- **Equipment.** A total of \$78,300 (General Fund) would be used to purchase laptop computers (for field personnel), laboratory equipment and supplies, and other related supplies. Of this amount, \$32,300 is one-time only.

Subcommittee Staff Recommendation. The budget request is consistent with implementation of the legislation. It is recommended to approve the request as proposed.

Question. The Subcommittee has requested the DHS to respond to the following question.

1. **DHS,** Please provide a brief summary of the request.

8. Genetically Handicapped Persons Program (GHPP)

Issue. The budget requests an increase of \$14.6 million (\$2.2 million General Fund and \$12.4 million federal Health Care Support Fund) compared to the revised current-year as shown in the Table 2, below. The DHS assumes that an average of 1,173 individuals will access GHPP services in 2006-07. It is assumed that these individuals will **generally** have program expenditures as follows:

Table 1: GHPP Assumptions for Budgeting Purposes

Diagnosis/Condition	Average Caseload	Average Annual Cost/Case	Program Expenditures
Hemophilia	326	\$153,600	\$50.1 million
Cystic Fibrosis	320	13,100	\$4.2 million
Sickle Cell	284	2,400	\$669,000
Huntington's	163	2,800	\$461,000
Metabolic	80	1,800	\$143,000
TOTALS	1,173	\$47,400	\$55.6 million

The overall budget for the GHPP is based on the last five years of actual GHPP caseload and expenditure data. Independent regressions are run on each diagnosis category (i.e., Hemophilia, Cystic Fibrosis, Sickle Cell, Huntington's Disease, and Metabolic conditions. Adjustments to this baseline—identified as “policy changes”—are then made as appropriate.

The key changes proposed for the GHPP are as follows:

- **Accrual to Cash.** Elimination of the one-time only savings of \$14.1 million (General Fund) attributed from shifting the GHPP from an accrual basis to a cash basis in 2005-06 to correspond with the shift which occurred in the Medi-Cal Program;
- **Increased Utilization.** Per case expenditures for both Metabolic conditions (13.5 percent) and hemophilia (1.5 percent) are increasing as compared to the current-year;
- **Shift from General Fund to Federal Fund Support.** SB 1100, Statutes of 2005 provides for the state to utilize a portion of the federal Health Care Support Fund in lieu of General Fund support for certain programs, including the GHPP. Table 2, below displays this amount (\$8.9 million in 2005-06 and \$21.3 million in 2006-07).

Table 2: GHPP—Summary of Funding

Summary of Funding	Revised 2005-06	Proposed 2006-07	Difference
General Fund	\$28.7 million	\$30.9 million	\$2.2 million
Enrollment Fees	\$340,000	\$340,000	--
Children's Medical Services Rebate Fund	\$3 million	\$3 million	--
Federal—Health Care Support Fund	\$8.9 million	\$21.3 million	\$12.4 million
TOTALS	\$40.9 million	\$55.6 million	\$14.6 million

Overall Background of the GHPP. The Genetically Handicapped Persons Program (GHPP) provides comprehensive health care coverage for persons with specified genetic diseases including Cystic Fibrosis, Hemophilia, Sickle Cell Disease, Huntington's Disease, Joseph's

Disease, metabolic diseases and others. GHPP also provides access to social support services that may help ameliorate the physical, psychological, and economic problems attendant to genetically handicapping conditions. Persons eligible for GHPP must reside in California, have a qualifying genetic disease, and be otherwise financially ineligible for the CCS Program. GHPP clients with adjusted gross income above 200 percent of poverty pay enrollment fee and treatment costs based on a sliding fee scale for family size and income.

Use of Health Care Support Fund for Public Health Programs. SB 1100 (Ducheny and Perata), Statutes of 2005, provides the framework to implement the state's Hospital Financing Waiver in the Medi-Cal Program. Among other things, it articulates how the Health Care Support Fund (federal funds received under the Waiver) can be utilized by hospitals, as well as by specified state programs.

Among other things, Section 14166.22 of Welfare and Institutions Code provides for how the Health Care Support Fund can be accessed for specified state programs, including the GHPP. This section also says that the DHS can claim federal dollars (i.e., the Health Care Support Fund) for these specified state programs **only to the extent these state programs are needed to maximize available federal funds under the Waiver.** Specifically, the state programs were placed into the legislation to enable California to recognize increased "certified public expenditures" (CPE's) in order to fully draw down the federal funds within the Safety Net Care Pool (i.e., as contained within the Health Care Support Fund). **Since the Safety Net Care Pool is a capped fund, the level for which the state could access it were intentionally limited.** Further, the General Fund savings achieved from the state accessing the Safety Net Care Pool funds for the specified state programs must be used in support of safety net care hospitals (Section 14166.22 (b) of Welfare and Institutions Code). **The Administration's proposal for the GHPP is consistent with the provisions of SB 1100, Statutes of 2005.**

Rebates for Blood Factor Product and Related Items. The GHPP presently has in place a rebate program for Blood Factor Product. This existing rebate program structure needs to be modified now that the GHPP is receiving federal funds (as referenced above under the Hospital Financing Waiver). This change is required due to complex federal laws related to public rebate programs and pharmaceutical products.

However, since the state's Medi-Cal Program has an extensive rebate program, the GHPP can be added to that program's rebate structure to ensure General Fund savings. This outcome requires state statutory change. Without this change about \$3 million in General Fund savings is at risk. It is likely that adjustments will need to be made at the May Revision due to this rebate issue. However, the DHS believes that retroactive rebate payments can be obtained by no later than February 2007.

Subcommittee Recommendation. It is recommended to (1) approve the GHPP budget as proposed by the Administration, and (2) adopt placeholder trailer bill legislation to have the GHPP included within the Medi-Cal supplemental rebate process.

Questions. The Subcommittee has requested the DHS to respond to the following question.

1. **DHS,** Please provide a brief summary of the budget request.
2. **DHS,** Please comment on the need for trailer bill legislation for using the Medi-Cal Supplemental Rebate Program for the GHPP

9. California Children's Services (CCS) Program—Base Program

Issue. The budget **proposes expenditures of \$196.2 million for the CCS Program which reflects an increase of \$15.3 million** (*decrease* of \$9.6 million General Fund and an increase of \$24.9 million in federal funds from two sources). The proposed increase in federal funds is from the federal Health Care Support Fund (i.e., Safety Net Care Pool) and Title XXI (the federal State Children's Health Insurance Program—known as Healthy Families in California.).

Of the proposed increase, about \$14.1 million (total funds) is due to the increase in costs associated with children who are enrolled in the Healthy Families Program and the Access for Infants and Mothers (AIM) Program who require treatment services through the CCS Program (i.e., special medical treatment needs). Existing state statute provides for this in order to ensure appropriate medical treatment for children with extensive medical needs.

The remaining amount is attributable to a combination of minor adjustments. **No new policy changes are proposed except for the use of the Health Care Support Fund, which is crafted in the same manner as described under the GHPP, above. Specifically, the \$15.1 million (Health Care Support Fund) is being expended for the CCS Program, as allowed under SB 1100 (Ducheny and Perata), Statutes of 2005.**

Overall Background on CCS. The California Children's Services (CCS) Program provides medical diagnosis, case management, treatment and therapy to financially eligible children with specific medical conditions, including birth defects, chronic illness, genetic diseases and injuries due to accidents or violence. The CCS services must be deemed to be “*medically necessary*” in order for them to be provided.

The CCS is the oldest managed health care program in the state and the only one focused specifically on children with special health care needs. It depends on a network of specialty physicians, therapists and hospitals to provide this medical care. By law, CCS services are provided as a separate and distinct medical treatment (i.e., carved-out service). CCS was included in the State-Local Realignment of 1991 and 1992. As such, counties utilize a portion of their County Realignment Funds for this program.

CCS enrollment consists of children enrolled as: **(1)** CCS-only (not eligible for Medi-Cal or the Healthy Families Program), **(2)** CCS and Medi-Cal eligible, and **(3)** CCS and Healthy Families eligible. Where applicable, the state draws down a federal funding match and off-sets this match against state funds as well as county funds.

Subcommittee Staff Recommendation. It is recommended to approve the CCS Program budget as proposed by the Administration.

10. CCS Program—Adjustment for Children’s Medical Services Network

Issue. The DHS is proposing an overall net reduction of \$145,000 (increase of \$105,000 General Fund and decrease of \$40,000 in federal funds) by deleting contract staff and hiring 4 new state positions to address the continuing workload associated with the Children’s Medical Services Network (CMS Net).

The DHS has been using contract staff from the Electronic Data Systems (EDS) to complete work on the CMS Net because key enhancements for this system entailed interactions with the Medi-Cal information system. This core work has been completed and the DHS states they can no longer use this contract staff for ongoing CMS Net support. As such, they are proposing to delete the funds for the contract staff and to hire 4 positions within the Children’s Medical Services Branch (who operate the CCS Program).

Specifically, the 4 positions—two Associate Information Systems Analyst’s, on Senior Information Systems Analyst and one Assistant Information Systems Analyst—would be used for key functions as follows:

- Perform research and resolution of problems encountered by counties and state Regional Office users who call the Help Desk for CMS Net assistance;
- Research and complete data repairs for Eligibility segments in CMS Net for county and state Regional Office users;
- Review, analyze and respond to incoming change requests for the CMS Net from county, state Regional Office and the DHS;
- Executes all phases of the system development life cycle regarding any changes. This includes development design specifications, creating test scenarios and test scripts, and test end product in the production environment.
- Assist with new users and ongoing training which includes training documentation updates; and
- Monitors and balances the maintenance and operations budget.

Summary Background on the CMS Net. The CMS Net is the automation system used by the CCS county programs and the state regional CCS offices to perform a wide variety of functions, including CCS case management, comprehensive tracking (i.e., medical, financial, residential determinations), and the authorization for services.

Currently 55 counties use the system and by July 1, 2006, all 58 counties will be users. The last three counties—Sacramento, Los Angeles, and Orange—represent about 40 percent of the total statewide users. CMS Net has an electronic interface with the Medi-Cal Eligibility Data System (MEDS), as well as other DHS systems to ensure that CCS Program claims are paid appropriately in order to capture full federal financial participation.

The CMS Net has undergone several enhancements including expanded functionality and reporting. For example, the system can now interact with California Dental Management

Information System (Medi-Cal Dental Program), as well as some other Medi-Cal Program interfaces. According to the DHS, all enhancements are presently operational.

Subcommittee Staff Recommendation. It is recommended to approve three of the requested four positions. **Specifically it is recommended to eliminate one of the two requested Associate Information Systems Analysts for a reduction of \$99,000 (total funds)**

This would provide for a total of three positions (i.e., a Senior Information Systems Analyst, an Associate Information Systems Analyst and an Assistant Information Systems Analyst) which seems more consistent with the workload need.

Questions. The Subcommittee has requested the DHS to respond to the following questions.

1. **DHS,** Please provide a brief summary of the request, including why permanent DHS staff are desired in lieu of contract staff

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